SAP (M) Sdn Bhd & Anor v I World HRM Net Sdn Bhd & Anor

HIGH COURT (KUALA LUMPUR) — CIVIL NO D1–1447 OF 2003
VINCENT NG J
15 NOVEMBER 2005

Civil Procedure — Injunction — Interlocutory injunction — Requirements to obtain interlocutory injunction — Whether requirements fulfilled — Whether delay in making interlocutory injunction fatal

Civil Procedure — Interlocutory injunction — Application to cross examine deponent of affidavit — Whether deponent of affidavit in support of application for interlocutory injunction can be allowed to be cross examined

Copyright — Infringement — Remedies — Interlocutory injunction — Whether monetary compensation an adequate remedy for infringement of copyright

The second plaintiff is the owner of the copyright in a business application software programme known as SAP R/3 software. The first plaintiff is the second plaintiffs exclusive distributor of the SAP R/3 software in Malaysia. The first plaintiff entered into an individual end user licence agreement for the said software with the first defendant on 30 March 1999. It was alleged that in breach of the said licence agreement the first defendant had distributed SAP R/3 software to third parties and extended its use beyond the extent permitted by the said licence agreement. It was also alleged that first defendant and second defendant had infringed the copyright in SAP R/3 by communicating the software to third parties without the plaintiffs' consent. the plaintiffs had alleged that it had suffered irreparable damage due to the defendants' activities. Plaintiffs' made this application for an interim injunction to restrain the defendants from using the plaintiffs' software and also to stop the defendants from infringing the plaintiffs' copyright in the said software the defendant on the other hand made an application to cross-examine deponent of plaintiffs' affidavit in support of the plaintiffs' application. There was also delay on the part of the plaintiffs to make this application.

Held, allowing plaintiffs' application for interlocutory injunction and dismissing defendants' application for cross examination of the deponent of the plaintiffs' affidavit:

(1) It was alleged that the defendants had distributed copies of the software by way of licensing to third parties without the plaintiffs' permission and the defendants have denied this. This issue needs to be canvassed and tried (see para 6).

(2) Any disruption of service, as a result of the plaintiffs succeeding at trial, to third parties who are using the plaintiffs' software without the plaintiffs' consent would cause substantial prejudice which would surely damage the plaintiffs'

goodwill and reputation as any disruption of services would make the customers lose confidence in the plaintiffs' software. Also the plaintiffs will not be able to control the licensing of the software which will destroy the value of the copyright. The damage suffered by the plaintiffs would be irreparable and monetary compensation would not be an adequate remedy (see para 6).

(3) Balance of convenience favours the plaintiffs who will not be able to control the licensing of the software which would irreparably destroy the value of the copyright in the software if the interim injunction is not granted (see para 13).

(4) As the defendants are not prejudiced by the delay in the application for interim injunction and the delay was due to 'ongoing negotiations' between the parties, the delay was excused (see para 12); *Larut Consolidated Bhd & Anor v Khoo Ee Bee & Ors* [1997] 5 MLJ 77 followed.

(5) Leave to cross-examine a deponent of an affidavit in interim injunction should be sparingly granted as it would allow the parties to have a rehearsal before the trial and such rehearsals could have an oppressive effect (see para 14).

(6) Granting of leave to cross-examine a deponent of affidavit in interim injunction would in effect be allowing a fine tooth comb examination of affidavit evidence even at the interlocutory proceedings stage. This would result in the opening of flood gates which would allow the defendants to adopt delay tactics in future interim injunction applications and should be avoided (see para 15).

[Bahasa Malaysia summary

Plaintif kedua adalah tuanpunya hak milik dalam program perisian permohonan perniagaan dikenali sebagai perisian SAP R/3. Plaintif pertama adalah pengedar eksklusif plaintif kedua untuk perisian SAP R/3 di Malaysia. Plaintif pertama telah memasuki perjanjian perlesenan pengguna terakhir berasingan untuk perisian tersebut dengan defendan pertama pada 30 Mac 1999. Adalah dikatakan bahawa perlanggaran perjanjian pelesenan tersebut, defendan pertama telah mengedar perisian SAP R/3 itu kepada pihak ketiga dan meluaskan penggunaannya melebihi had yang dibenarkan oleh perjanjian pelesenan tersebut. Adalah juga dikatakan bahawa defendan pertama dan defendan kedua telah melanggar hak milik SAP R/3 itu dengan mengedar perisian itu kepada pihak ketiga tanpa persetujuan plaintif-plaintif. Plaintif-plaintif mengatakan bahawa ia telah mengalami kerosakan yang tidak boleh dipulihkan akibat aktiviti defendan-defendan. Plaintif-plaintif telah membuat permohonan ini untuk injunksi interim menghalang defendan-defendan daripada menggunakan perisian plaintif dan juga untuk menghalang defendan-defendan daripada melanggar hak milik plaintif-plaintif dalam perisian tersebut. Defendan sebaliknya telah membuat satu permohonan untuk memeriksa

balas afidavit sokongan saksi sumpah plaintif-plaintif terhadap permohonan plaintif-plaintif. Terdapat juga kelewatan di pihak plaintif-plaintif untuk membuat permohonan ini.]

Diputuskan, membenarkan permohonan plaintif-plaintif untuk injunksi interlokutori dan menolak permohonan defendan-defendan untuk memeriksa balas saksi sumpah terhadap afidavit plaintif:

(1) Adalah dikatakan bahawa defendan-defendan telah mengedarkan salinan perisian dengan memberi lesen kepada pihak ketiga tanpa kebenaran plaintif-plaintif dan defendan-defendan telah menafikan ini. Persoalan ini perlu dibicarakan (lihat perenggan 6).

(2) Apa-apa gangguan perkhidmatan, akibat daripada kejayaan plaintif-plaintif dalam perbicaraan, kepada pihak ketiga yang menggunakan perisian plaintif-plaintif tanpa persetujuan plaintif-plaintif akan menyebabkan prejudis yang akan menjejaskan nama baik dan reputasi plaintif-plaintif kerana apa-apa gangguan perkhidmatan akan menyebabkan pelanggan hilang keyakinan terhadap perisian plaintif-plaintif. Bahkan plaintif-plaintif tidak akan dapat mengawal pelesenan perisian tersebut yang akan memusnahkan nilai hak milik itu. Kerosakan yang dialami oleh plaintif-plaintif tidak boleh dipulihkan dan pampasan dalam bentuk wang bukan satu remedi yang memadai (lihat perenggan 6).

(3) Imbangan kesesuaian menyebelahi plaintif-plaintif yang tidak dapat mengawal pelesenan perisian tersebut yang akan memusnahkan nilai hak milik perisian tersebut jika injunksi interim tidak dibenarkan (lihat perenggan 13).

(4) Memandangkan defendan-defendan tidak diprejudiskan oleh kelewatan dalam permohonan untuk injunksi interim dan kelewatan itu adalah disebabkan oleh 'ongoing negotiations' antara pihak-pihak, kelewatan tersebut merupakan satu alasan baik (lihat perenggan 12); *Larut Consolidated Bhd & Anor v Khoo Ee Bee & Ors* [1997] 5 MLJ 77 diikut.

(5) Kebenaran untuk memeriksa balas seorang saksi sumpah afidavit dalam injunksi interim perlu dilakukan dengan berhati-hati kerana ia akan membenarkan pihak-pihak untuk berlatih sebelum perbicaraan dan latihan sebegini mempunyai kesan yang menindas (lihat perenggan 14).

(6) Dengan memberikan kebenaran untuk memeriksa balas saksi sumpah afidavit dalam injunksi interim akan menyebabkan satu kebenaran untuk pemeriksaan teliti dilakukan terhadap keterangan afidavit meskipun di peringkat prosiding interlokutori sahaja. Ini akan mengakibatkan peluang untuk membenarkan defendan-defendan menggunakan taktik lewat ini di masa hadapan untuk permohonan injunksi interim dan sepatutnya dielakkan (lihat perenggan 15).

Notes

For a case on remedies of copyright infringement, see 3(2) *Mallal's Digest* (4th Ed, 2003 Reissue) para 5005.

For cases on interlocutory injunction, see 2 *Mallal's Digest* (4th Ed) Consolidated Subject Index paras 2867–2982.

Cases referred to

American Cyanamid Co v Ethicon [1975] 1 All ER 504 (refd)
Balwant Singh Purba v R Rajasingam [1996] 2 MLJ 549 (refd)
Larut Consolidated Bhd & Anor v Khoo Ee Bee & Ors [1997] 5 MLJ 77 (folld)
Rock Records Tapes Co Ltd v Season Karaoke Sdn Bhd & Ors [1999] 1 AMR 78 (refd)
Syarikat Tunggaring Kilang Papan Sdn Bhd v Sabah Forest Industries Sdn Bhd [1990] 2 MLJ 38 (refd)
Television Broadcast & Ors v Seremban Video Centre Sdn Bhd [1985] 1 MLJ 171 (refd)

Legislation referred to

Copyright Act 1969 s 37

Khoo Guan Huat (Leela Baskaran and Suaran Singh with him) (Skrine) for the plaintiffs.
Renu Zechariah (Cheryl Kwan and Stacey Chong with her) (Raslan Loong) for the defendants.

Vincent Ng J:

PREAMBLE

[1] At the meeting of the High Court judges at the Palace of Justice in Putrajaya (which led to the 7 November 2003 resolution on pre-2000 cases) it was agreed that the grounds of judgment need not be prepared on affidavit based decision. However, in order to facilitate quick appreciation of the relevant issues and the crux of the rationale of the decision, I have prepared my grounds in a short format.

[2] Enclosure 5 is the plaintiffs' application for an interim injunction to restrain the defendants from using the plaintiffs' software and also to stop the defendants from infringing the plaintiffs' copyright in the said software. Enclosure 8 is defendants' application to cross-examine deponent of plaintiffs' affidavit in support of encl 5. The second plaintiff is the owner of the copyright in a business application software programme known as SAP R/3 software. The first plaintiff is the second plaintiff's exclusive distributor of the SAP R/3 software in Malaysia. The first plaintiff entered into an individual End User Licence Agreement for the said software with the first defendant on 30 March 1999. It was alleged that in breach of the said licence agreement the first defendant had distributed SAP R/3 software to third parties and extended its use beyond the extent permitted by the said licence agreement. It was also alleged that D1 and D2 had infringed the copyright in SAP R/3 in communicating the software to third parties without the plaintiffs consent. The plaintiffs had alleged that it had suffered irreparable damage due to the defendants' activities.

THE LAW IN GRANTING INTERLOCUTORY INJUNCTIVE RELIEF

[3] The requirements to obtain interim injunctive relief were clearly set down in *American Cyanamid Co v Ethicon* [1975] 1 All ER 504 as follows:

(a) That there is a serious issue to be tried;

(b) Whether damages could constitute an adequate remedy if the injunction is not granted;

(c) That the balance of convenience lies in favour of granting the injunction.

[4] I am satisfied that the plaintiffs had made plausible allegation that D1 had breached cl 2.1 of the licence agreement by providing service bureau application to third parties without the plaintiffs' consent and that D1 and D2 had infringed the plaintiffs' copyright in SAP R/3 software by reproducing and downloading the software on to computer/servers of three parties. It appears that the infringing copies made by the defendants were similar to the SAP R/3 software. Both D1 and D2 had acknowledged the substance of the plaintiffs' copyright in the software and the plaintiffs' ownership of the software in the licence agreement.

[5] The defendants alleged waiver and estoppel of the licence agreement and the infringement of the copyright which thus estops the plaintiffs. I noticed that the entire agreement clause (cl 13.3) in the licence agreement excludes evidence of earlier correspondence between the plaintiffs and the defendants. Thus I agree with the plaintiffs' submission that the entire agreement clause removes all collateral documents of any legal effect. I also noted that the plaintiffs had taken steps to inform the defendants on each instance of breach and also to prevent it.

[6] It was alleged that the defendants had distributed copies of the software by way of licensing to third parties without the plaintiffs' permission. However, the defendants have denied this. I believe this issue needs to be canvassed and tried. As to item (b), I agree with the plaintiffs that any disruption of service, as a result of the plaintiffs succeeding at trial, to third parties who are using the plaintiffs' software without the plaintiffs' consent would cause substantial prejudice. This would surely damage the plaintiffs' goodwill and reputation as any disruption of services would make the customers lose confidence in the plaintiffs' software. Also the plaintiffs will not be able to control the licensing of the software which will destroy the value of the copyright.

[7] Section 37 of the Copyright Act 1969 provides for injunction as remedy for infringement of copyright. I believe the damage suffered by the plaintiffs would be irreparable and monetary compensation would not be an adequate remedy.

[8] In *Television Broadcast & Ors v Seremban Video Centre Sdn Bhd* [1985] 1 MLJ 171, it was held that to establish that damages are inadequate is to show that the act complained of will destroy the subject matter of the action which in this case is the copyright in the software.

[9] It is also to be noted that damage to reputation and goodwill are impossible to assess and quantify and as such the plaintiffs cannot be adequately compensated in monetary terms.

[10] On the other hand, damages would be adequate remedy for the defendants in the event the plaintiffs are unsuccessful at trial as the restricted terms of the interim

injunction will only restrain the defendants from offering licences to new customers without the plaintiffs' consent. The defendants admitted that the maximum number of users and record licences that the defendants claimed to be entitled to deal with are 15 and 15,000 respectively.

[11] I am mindful of the fact that interim injunctions have been granted in cases involving infringement of copyright which involved closure of the defendants' business and loss of employment for defendants' employees as in *Rock Records Tapes Co Ltd v Season Karaoke Sdn Bhd & Ors* [1999] 1 AMR 78.

[12] As for the delay in the application for interim injunction. I believe the defendants are not prejudiced. Besides the delay was due to 'ongoing negotiations' between the parties. Also a delay of two years was excused in *Larut Consolidated Bhd v Khoo Ee Bee* [1997] 5 MLJ 77.

[13] As to item (c), I believe that the balance of convenience favours the plaintiffs who will not be able to control the licensing of the software which would irreparably destroy the value of the copyright in the software if the interim injunction is not granted.

DEFENDANTS' APPLICATION TO CROSS-EXAMINE DEPONENT OF PLAINTIFFS' AFFIDAVIT IN SUPPORT (ENCL 8)

[14] In an application for interim injunction the court is only required to determine whether there are serious issues to be tried. The court is not required to make a decision on the merits of the case at this stage. Leave to cross-examine a deponent of affidavit in interim injunction should be sparingly granted as it would allow the parties to have a rehearsal before the trial and such rehearsals could have an oppressive effect.

[15] I would hold that the granting of leave to cross-examine a deponent of affidavit in interim injunction would in effect be allowing a fine tooth comb examination of affidavit evidence even at the interlocutory proceeding stage. This would result in the opening of flood gates which would allow the defendants to adopt delay tactics in future interim injunction applications and should be avoided.

[16] At the interim injunction stage the court is not required to go into minute details. The test is simply whether there are serious issues to be tried based on the affidavit evidence.

[17] In both *Balwant Singh Purba v R. Rajasingam* [1996] 2 MLJ 549 and *Syarikat Tunggaring Kilanig Papan Sdn Bhd v Sabah Forest Industries Sdn Bhd* [1990] 2 MLJ 38 on applications for interim injunction the court refused leave to cross-examine. It was stated that cross-examination upon affidavit sworn in application for interlocutory injunction is very rare. Also cross-examination can only be evoked in

respect of an issue which the court is asked to determine in the interlocutory proceeding and not in respect of any other issue which should be determined at the trial of the action proper.

[18] I am of the view that the defendants at this stage of the proceedings should not be allowed to cross-examine the deponent to test the veracity of the witness because this will actually go to the merits of the case. To allow the defendants, at this early stage of the proceedings, to cross-examine when an urgent injunction is sought, would only have the effect of delaying the prompt determination of the merits of the application for injunction - perhaps this was the intention of the defendants, who in any event is not precluded from, filing further affidavits to counter assertions in the plaintiffs affidavits that were sought to be impugned.

Plaintiffs' application for interlocutory injunction allowed and defendants' application to cross examine deponent of the plaintiff's affidavit dismissed.

Reported by AG Khalidas